

PUBLIC DISCLOSURE

August 4, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**American Pacific State Bank
12-06-0631-0000**

**15260 Ventura Boulevard
Sherman Oaks, CA 91403**

**FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94105**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **American Pacific State Bank** prepared by **Federal Reserve Bank of San Francisco**, the institution's supervisory agency, as of **August 4, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated satisfactory.

Overall, American Pacific State Bank has satisfactorily addressed the credit needs of its community. The bank's performance under the lending test was favorable as evidenced by the significant amount of loans to small businesses, the large volume of small dollar loans and the number of community development loans extended within the assessment area. In addition, the bank's lending among geographies of different income levels was reflective, on a percentage basis, of the number of low-, moderate-, middle-, and upper-income communities within the assessment area. Under the service test, the bank's delivery systems were considered reasonably accessible to all segments of the community. Also, the bank provided an adequate amount of community development services. The bank's performance under the investment test, however, needs to improve primarily due to the limited volume of investments. Moreover, the bank did not appear to be proactive in investigating or identifying qualified CRA investments within the assessment area.

The following table indicates the performance level of American Pacific State Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS for American Pacific State Bank		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory			X
Needs to Improve		X	
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION:

American Pacific State Bank is a wholly owned institution operating eight retail branches in the San Fernando and Santa Clarita Valleys. The most recent addition to the bank's branch system was the Northridge Fashion Center Office which opened in February 1996. Management indicated that the bank continues to seek opportunities to increase its market share, but has no specific plans for additional branching at this time. The bank provides a full range of deposit and credit services at all branches, including a variety of real estate, commercial and consumer purpose loans. However, while the bank does offer a range of consumer loan products, real estate mortgage loans are offered for five year terms only. Additionally, in 1996 American Pacific State Bank was recognized as the sixth largest SBA lender in Los Angeles County. Since 1985, the bank has been designated as a "Preferred Lender," giving the bank the authority to pre-approve SBA loans quickly and efficiently.

Although the bank offers a full range of products, the bank's primary business focus continues to be commercial banking, particularly to mid-sized businesses and small business entrepreneurs in the San Fernando and Santa Clarita Valleys. The bank's emphasis on commercial lending is reflected in its asset/loan portfolio mix. As of the end of first quarter in 1997, the bank's assets totaled \$312 million and net loans equaled \$155 million. The bank's business lending represented approximately 86% of its total loan portfolio.

At the previous examination the bank received a satisfactory rating for its CRA performance. American Pacific State Bank continues to meet community credit needs in a manner consistent with its size and resources. Other than the bank's legal lending limit, there are no apparent factors which would impede the bank's ability to meet local credit needs.

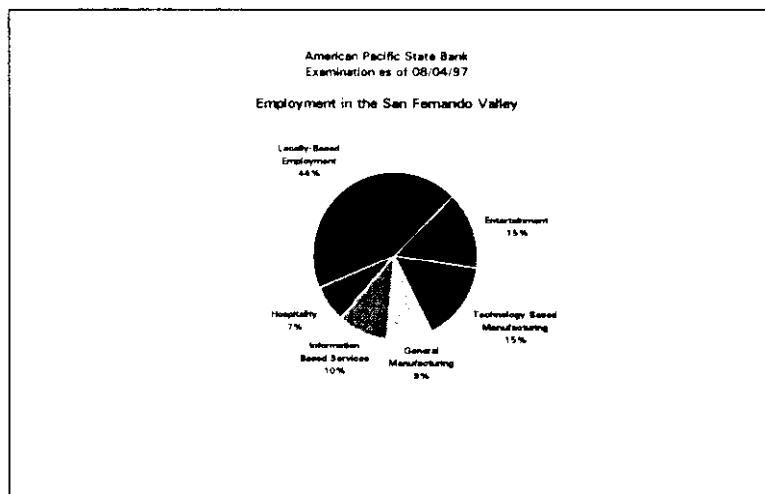
DESCRIPTION OF ASSESSMENT AREA: SAN FERNANDO AND SANTA CLARITA VALLEYS

American Pacific State Bank's assessment area is comprised of 377 geographies (census tracts) consisting primarily of the San Fernando and Santa Clarita Valleys, both located within Los Angeles County. The assessment area was based primarily on the bank's geographic distribution of credit extensions, applications and denials. Also, the branching network of the bank contributed to the designation of the assessment area, allowing the bank access to the majority of its community. With the exception of the Valencia Branch, all the bank's offices are located in San Fernando Valley at the following sites: Sun Valley, North Hollywood, Sherman Oaks, Northridge, Granada Hills, Woodland Hills and Van Nuys. Since approximately 87% of the institution's branches are in San Fernando Valley and a larger number of the bank's loans are extended in this area, much of the economic and demographic information in this report refers to the San Fernando Valley.

Based on the median family income of \$39,035 for the Los Angeles MSA, the bank's assessment area is comprised of 1% low-income tracts, 13% moderate-income tracts, 36% middle-income tracts and 50% upper income tracts. According to 1990 census data, total population of the assessment area is 1.97 million people. Of the people residing in the assessment area, less than 1% reside in low-income tracts, 17% reside in moderate-income tracts, 37% reside in middle-income tracts and 45% reside in upper-income tracts. The major political subdivisions include the cities of Burbank, Glendale and Santa Clarita.

Home to nearly 60,000 businesses, the San Fernando Valley region's economy has profited from growth in aerospace manufacturing, entertainment and information services. In response to changes in global and local conditions, the industry structure of the Valley is undergoing a fundamental transition from aerospace and manufacturing to entertainment and information services. Due to the high demand for movies, television and new entertainment technologies, employment in entertainment has burgeoned in San Fernando Valley, growing by 44.2% between 1987 and 1992. This trend is still evident as demonstrated by the 32% increase in filming permits in all Los Angeles County between 1995 and 1996. Also, employment in information-based services has grown by 10% between 1987 and 1992. By contrast, cutbacks in defense and aerospace and increasing competitiveness in other regions have caused declines of 24.7% in technology-based product development and 10.8% in general manufacturing. The ongoing growth of the entertainment industry sweeping the San Fernando Valley and greater Los Angeles, has helped jump-start the economy. The 121,000 entertainment jobs created in Los Angeles County since 1988 have nearly filled the gap left by the loss of 140,000 aerospace jobs. Economists expect the number of jobs in entertainment-related fields will continue to increase into the 21st century. Employment in the hospitality industry has grown, but has not kept pace with the rate of hospitality employment growth in the rest of the Greater Los Angeles area.

The following chart represents employment levels in the San Fernando Valley by industry:



The five largest employers based in the Valley, ranked by number of employees are as follows:

Rank	Employer	Employees	Revenue (1995)	Industry
1	Walt Disney Co.	8,000	\$12.1MM	Entertainment
2	MCA Inc.	8,000	\$3.5MM	Entertainment
3	Rocketdyne	4,542	Not Available	Aerospace
4	Great Western Financial	3,894	\$1.4MM	Finance
5	Litton Industries	3,625	\$3.3MM	Information Systems

According to the 1994 U.S. Department of Commerce Bureau of the Census, 95% of the businesses in the San Fernando Valley have fewer than 50 employees and 85% of the businesses have fewer than 20 employees. This data suggests that entrepreneurial individuals and firms play a large role in influencing the economic forecast of the Valley. As larger companies continue to decrease in employment while increasing their reliance on outside suppliers, the Valley's future is becoming increasingly dependent on its small businesses to create new employment opportunities. This phenomenon is especially evident in the East Valley, where hundreds of tiny start-up companies have formed around the major film studios. As a result, cities such as Burbank have a vacancy rate in high-end office space of only 1% and have some of the highest lease rates in Los Angeles County.

Different members of the community were contacted to ascertain the credit needs of the assessment area. Community contacts stated that because the rapid growth in entertainment, manufacturing and information industries is increasingly based on the development of small, entrepreneurial businesses, it has become increasingly important that financing is made available to small businesses. Providing start-up loans, working capital loans for expansion and purchase of fixed assets, small dollar loans of \$50,000 or less, and hands-on technical support for loan packaging as well as on-going technical assistance, are the key banking needs of the community.

With regard to the overall condition of the Valley's economy, economists and real estate experts predict a steady increase, along with more jobs, continued growth in the entertainment business and a recovery in real estate. A recent survey of a real estate brokerage firm found the Valley to have the lowest office vacancy rate in Southern California. Others have also noted that the commercial real estate market is improving. According to an Encino-based commercial real estate firm, the demand for office and industrial space, particularly by entertainment companies, has been surging. These reports are an encouraging sign that the area's economy continues to improve and recover from its slump of the early 1990's.

Although the signs of recovery are evident, the assessment area still contains economically distressed areas. Parts of the assessment area experienced an economic recession, endured the Northridge earthquake and experienced the

destructive civil disturbance in 1992. These events have created many opportunities for lenders to assist in the provision of community development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

Due to the bank's commercial orientation and the greater percentage of business lending, the bank's performance in this category was based on its lending to small businesses². The bank opted not to include any consumer products for consideration. A sample of 401 small business loans extended by the bank between January 1, 1996 and May 30, 1997 was used as the basis for determining the bank's performance under the lending test.

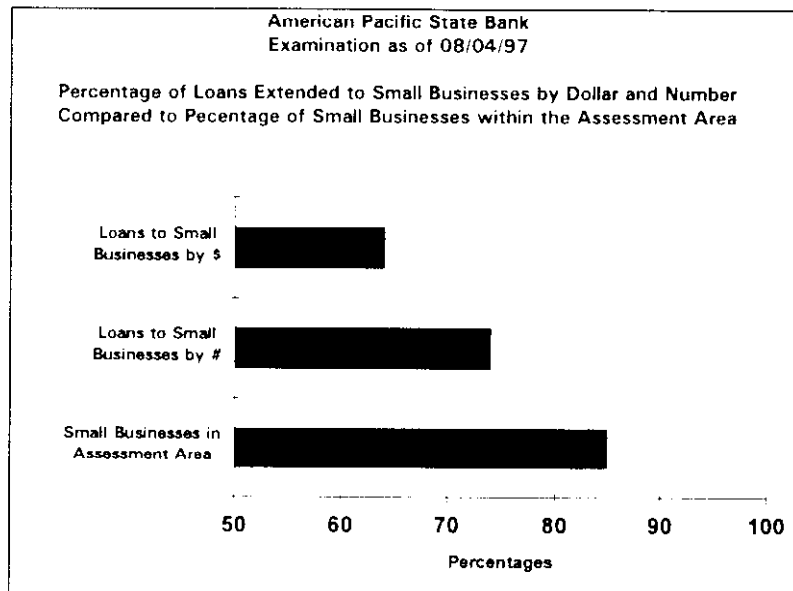
Lending Distribution by Business Revenue:

In order to determine the extent to which the bank was addressing the credit needs of small businesses, examiners compared the bank's record of lending to small businesses to the number, size and type of businesses in the assessment area. Also, since the bank has historically focused its products and personal services to small businesses, examiners placed the most emphasis on this performance criteria.

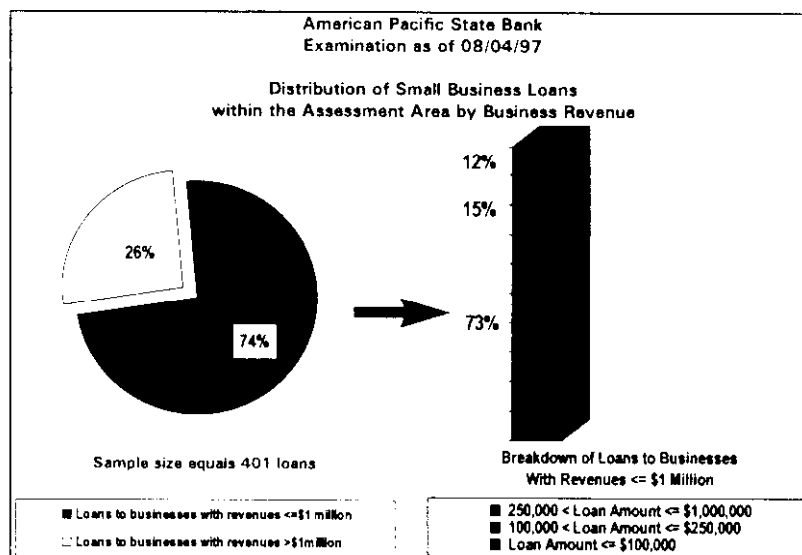
Small Business Lending

As previously noted, 95% of the businesses in the San Fernando Valley have fewer than 50 employees and 85% of the businesses have fewer than 20 employees. These figures suggest that small businesses are prevalent in the bank's assessment area. A review of the bank's business lending indicated a favorable penetration compared to the percentage of small businesses located in the bank's assessment area. Based on the 401 business loans sampled, 74% were extended to small businesses by number and 64% by dollar volume. The following chart compares the number of loans made to small businesses to the number of small businesses, using 20 or fewer employees as a proxy, present in the assessment area.

² Small business loans are defined as loans to businesses in amounts of \$1 million or less. Small businesses are defined as those businesses that had annual gross revenues of \$1 million or less.



Within the small business classification, examiners further sub-grouped the bank's lending patterns by the loan amounts, the number of loans extended under each category and the corresponding percentages. The results indicate that in addition to the high percentage of lending to small businesses the bank made a significant amount of loans under \$100,000. Of the small business loans, 73% by number were extended in amounts less than \$100,000, 15% were in amounts between \$100,000 and \$250,000 and the remaining 12% were for amounts greater than \$250,000 but less than \$1,000,000. The following chart depicts the banks small business lending by loan amount.



Also indicative of the bank's commitment to lend to small businesses is its participation in the SBA program. The bank traditionally sells the guaranteed portion

of its SBA loans in the secondary market allowing funds to be recycled to finance additional SBA loans. A listing, provided by the U.S. Small Business Administration, of the top ten SBA Lenders for the fiscal year 1996 ranked American Pacific State Bank as the sixth largest lender (determined by loan volume) in Los Angeles County.

The significant amount of loans extended to small businesses, the concentration of loans under \$100,000 and the bank's performance in the SBA arena demonstrates a good record of serving the credit needs of small businesses. Additionally, these results confirm the bank's contribution to its assessment area since members of the community identified both small business loans and small dollar loans as credit needs.

Lending Distribution by Geography:

A review of the distribution of small business loans was conducted to determine the bank's performance in meeting the credit needs of low- and moderate-income geographies. In evaluating the bank's lending among geographies of different income levels, examiners considered the location of the branches, the concentration of businesses in different tracts and the overall distribution of the bank's small business lending compared to the number of low-, moderate-, middle- and upper-income tracts in the assessment area. Additionally, information from community contacts was used to help determine the level of lending opportunities available in specific geographies of the bank's assessment area.

Small Business Lending

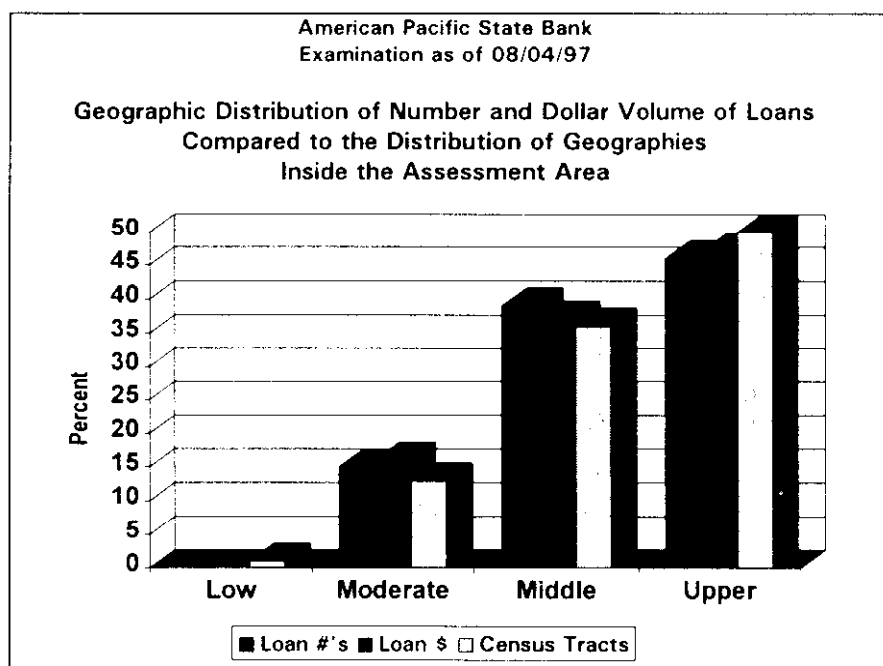
The demographics of the community identifying the number of low-, moderate-, middle-, and upper-income tracts, were compared to the number of small business loans extended within each of those tracts. As previously noted, the bank's assessment area consists of 377 census tracts, with 1% (4 tracts) being low income, 13% (48 tracts) being moderate income, 36% (134 tracts) being middle income, and 50% (191 tracts) upper income. The following table highlights the bank's loan distribution within the bank's assessment area.

Loan Type	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
Small Business	0%	0%	15%	16%	39%	37%	46%	47%
Tracts	1%		13%		36%		50%	

The lack of lending in low-income geographies necessitated a closer investigation of those particular tracts. Examiners discovered that one tract contained Universal City Studios and according to 1990 census data, did not have a population. Two other tracts were located in the Southeastern corner of the bank's assessment area, in the City of Pasadena. These tracts were distant from any of the branches, limiting the bank's accessibility to this area. Moreover, examiners noted that with the exception of one loan in that region, the bank did not have any other lending activity.

Therefore, the absence of lending was not just restricted to the low-income geographies but rather evident throughout the political subdivision. The last low-income tract in the bank's assessment area is situated in the city of Pacoima. Although, this area is in close proximity to the bank's branches, according to a community contact, this particular geography is composed of primarily residential property. This was further confirmed by information provided by the Los Angeles Department of City Planning. The information disclosed the employment levels and number of jobs available within each tract. Although, this data is not a measure of the number of businesses present in each geography, it was used as a proxy to estimate this information. Also, the bank's lending did penetrate other sections of the city of Pacoima, including moderate-income tracts.

In light of the performance context of the bank, the absence of lending in low-income tracts is considered reasonable. Overall, the bank's geographic distribution of lending is consistent with the general composition of the community. The graph below depicts the bank's lending relative to the percentage of low-, moderate-, middle- and upper-income tracts within the assessment area.



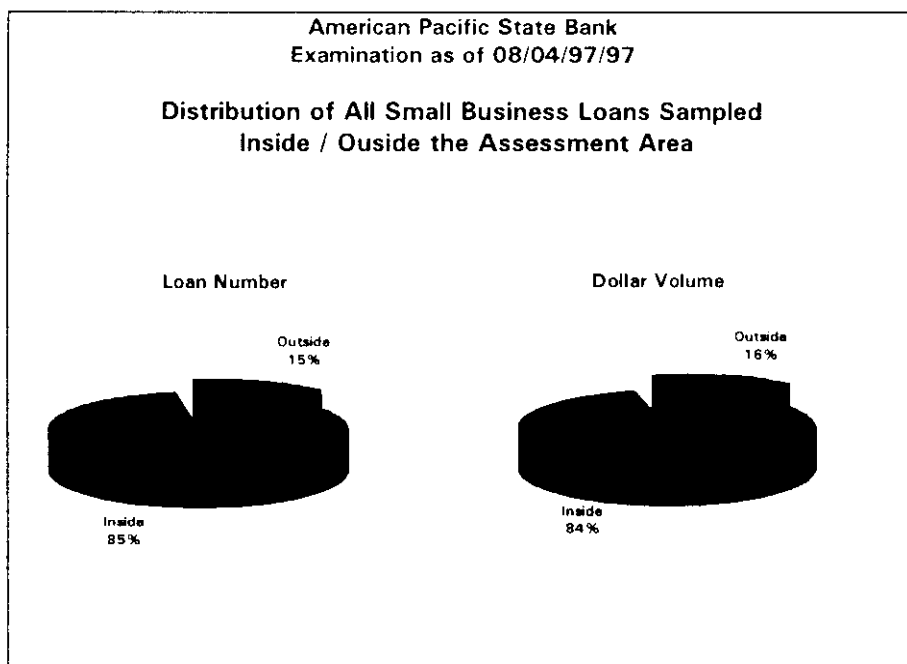
Loan Volume and Assessment Area Concentration:

In determining the bank's effectiveness in meeting the credit needs of the community, examiners reviewed the bank's lending levels since the previous examination. The bank's loan-to-deposit ratio demonstrates a declining trend since the previous examination. According to management, the decline may be primarily attributed to competition in the market place, especially with the infiltration of larger institutions and non-bank financial institutions, and the fact that the Valley's economy has only recently shown signs of recovery. Management indicated that its

target loan-to-deposit ratio would be not less than 60% and not more than 85%. To address the decrease in lending the bank has elected to maintain a promotional car loan rate for an indefinite period.

Examiners noted that although a decrease in loan volume (3.3%) has taken place since the previous examination, the increase in deposits has been substantially larger (8.6%); therefore, the overall impact on the loan-to-deposit ratio is greater. Also, as previously noted, the bank traditionally sells the guaranteed portion of its SBA loans in the secondary market allowing funds to be recycled to finance additional SBA loans. Considering all these factors the bank's lending levels reflect an adequate responsiveness to assessment area credit needs.

A substantial majority of the bank's lending was made within the bank's assessment area. By number, 85% of the loans were extended within the assessment area and by dollar volume, 84%, were extended within the assessment area. The level of lending within the assessment area is reasonable given the size of the bank's community, the location of the branches and the bank's business strategy.



Community Development Lending:

To determine the bank's contribution to community development, examiners reviewed the number and type of community development loans extended within the bank's assessment area.

The bank's community development consisted primarily of lending in the Enterprise Zone and Los Angeles Revitalization Zone (LARZ). Located within the bank's assessment area is the city of Pacoima which has been designated as an Enterprise

Zone. Enterprise Zones are specific geographic areas designated by the state as needing commercial revitalization and investment. Pacoima is the only Enterprise Zone in the Valley, with 20% of the population in poverty according to the 1990 U.S. Census. Also located within the bank's assessment area is a portion of the LARZ which was created as a result of legislation to provide economic relief to private businesses located in areas adversely affected by the April 1992 civil disturbances in order to stimulate economic growth, create jobs, and rebuild businesses. As an incentive, banks receive state tax credits for financing businesses in either the LARZ or Enterprise Zone.

The bank extended 52 community development loans in the LARZ and Enterprise Zone. Forty-one of these loans were extended in portions of the LARZ and Enterprise Zone within the bank's assessment area benefitting 33 businesses and totaled \$6.728 million. The other 11 loans totaling \$690,000 were extended to businesses in portions of the LARZ located outside the bank's assessment area. Although these loans are not complex or innovative in nature, the number and amount is substantial. In addition, some of these loans were for amounts as little as \$6,000, affirming the bank's commitment to serving the credit needs of the small business community.

The bank's level of community development lending demonstrates a positive contribution toward the revitalization of economically depressed geographies.

Innovative or Flexible Lending Practices:

Examiners reviewed the bank's lending to determine if the bank uses innovative or flexible lending practices to meet the credit needs of the community. The bank does not offer any innovative or flexible loan products serving low- and moderate- income borrowers in new ways or serving creditworthy borrowers not previously served. However, the bank was instrumental in assembling 16 local financial institutions to commit a total of \$126.5 million to lend to small businesses in the San Fernando Valley, providing some flexibility in underwriting standards. The bank personally committed to lending up to \$20 million. This Lender Commitment Program was devised between the participating banks and the Valley Economic Development Center (VEDC). The program will be administered by the VEDC, a nonprofit agency that uses federal grant money to assist small businesses with free consulting and training services, grants and loans. The loans will be made by the banks that have agreed to participate in the program and the VEDC. No city or state funds are committed to the partnership, but various government agencies will provide guarantees on the loans. It is estimated that this loan program will help create or save up to 17,000 jobs in the Valley over the next three or four years.

The program will target small- and medium-sized businesses with sales under \$50 million. The approved applicants will generally consist of companies that are considered to be good credit risks, but which fall into a "gray area" of not meeting all the usual underwriting standards adhered to by traditional lenders.

The bank's high satisfactory rating under the lending test was based on the overall lending performance. Due to the bank's business focus and the identified credit needs of the bank's assessment area, more emphasis was placed on lending to small businesses and the number of small dollar loans. The geographic dispersion of loans was overall reflective of the demographic make-up of the community. In addition, the substantial majority of loans extended within the assessment area, the bank's community development lending and its participation in flexible loan programs all demonstrate that the bank has affirmatively addressed the credit needs of the community.

INVESTMENT TEST

In evaluating the bank's performance under the investment test, examiners considered the amount, the innovativeness and complexity, and the degree to which qualified investments are not routinely provided by private investors. Also taken into account is the institution's capacity to make investments, opportunities for investments in the bank's assessment area and the bank's role in proactively seeking these investment opportunities.

The bank donated a total of \$22,500 in grants to three different organizations throughout its assessment area. The first recipient, receiving \$12,000, was to a non-profit corporation assisting the homeless community with problems associated with alcohol and substance abuse. Some of the services provided include: shelter and clothing, vocations and educational evaluation, job search orientation, and referral and placement in job training programs. Another non-profit organization providing quality services for children and families throughout the state of California, received a \$500 donation from the bank. The organization is committed to making a difference in the lives of children and families through diversified child abuse prevention and intervention services that strengthen and support families. The majority of the families benefiting from these services are low- and moderate-, most of which are on welfare programs. The bank's donation was made to a local chapter, directly benefiting the bank's assessment area. The last investment was a \$10,000 donation to a program that provides teachers with a curriculum guide, Money Matters-Lessons in Financial Survival, containing newspaper based lessons in the areas of consumer economics, mathematics and social studies. The program is directed to students for grades 7-12 and for adults in Adult School programs taking basic skills and English as a second language. The newspaper distribution is directed to school districts throughout Los Angeles and Ventura Counties, including several lower-income school districts.

Although the previously mentioned donations are directly benefiting and promoting community development within the bank's assessment area, they are considered small and are not representative of the bank's capacity to make investments. The bank's qualified CRA investments do not equate to one percent of its investment portfolio. Contributing to the low volume of investment activity is the bank's limited

participation in seeking and researching qualified CRA investments. Consequently, the bank's performance in this category needs to improve.

SERVICE TEST

RETAIL BANKING SERVICES

The primary purpose of this category is to assess the quantity, quality and accessibility of delivery systems provided in each geography classification of the bank's assessment area, particularly low- and moderate-income geographies. In determining the bank's performance in this category several factors were considered: the distribution of branches among each geography classification; the bank's record of opening and closing branches, particularly those located in low- and moderate-income geographies and primarily serving low- and moderate-income individuals; the availability and effectiveness of alternative systems for delivering retail banking services in low- and moderate-income areas and to low- and moderate-income individuals; and the range of services provided in each geography.

The bank's current branching network is reasonably accessible to all segments of the community. While none of the bank's branches are in census tracts defined by the 1990 census as low- or moderate-income, branches in Sun Valley, North Hollywood and Van Nuys all border upon and serve low- and moderate-income neighborhoods. Also, the bank has an additional drive-up facility at the Sun Valley Branch. The bank offers a full range of deposit and credit products at all the branches and there are no differences in the types of products available at each branch. With the exception of the Sherman Oaks Office, which is closed on Saturdays, business hours are the same at all branches with extended weekday and Saturday hours.

Since the previous examination, the bank has not closed any of its branches and management has not expressed any plans to close any offices. Moreover, the bank has a comprehensive written branch closure policy stating that the decision to close a branch office shall be made only after the bank has thoroughly evaluated the potential impact of such an action on the local community, its customers and employees. The bank did open an office in February 1996 at the Northridge Fashion Center, which lies in the Northwest corner of the San Fernando Valley. Although the branch is located in an upper-income geography it is within the boundaries of what was recognized as the hardest hit area of the January 17, 1994, Northridge Earthquake. Since the earthquake, the entire Northridge mall was rebuilt and reopened on August 1, 1995. Management anticipates that the bank's services will be of particular benefit to the businesses located within the mall and their employees. In addition, this new branch allows the bank to expand its accessibility to existing and proposed banking customers. Based on the aforementioned items, the bank's record of opening and closing of branches has not adversely affected members of the community.

The bank offers a variety of alternative delivery systems, some at a cost and others free of charge. The bank provides a toll free information line, Quik-Info, available 24 hours a day, 7 days a week. Quik-Info gives the customer information regarding current balances, cleared checks, posted deposits and allows the transfer of funds. Telephone banking is also available for customers who prefer the personal touch and do not wish to use the automated phone system. Moreover, the bank provides pre-paid envelopes to allow customers to bank by mail free of charge. The remaining delivery systems are effective forms of providing banking services; however, they do have a fee associated with their use, potentially limiting the accessibility of these services to certain segments of the community. American Pacific State Bank does not own any proprietary ATMs but is a member of the Star - Plus - Explore System. The bank's involvement with this system allows customers to access funds from many locations; however, there is a \$1 fee charged by the bank for each transaction plus a potential additional surcharge from the proprietor of the ATM. For business customers the bank provides a courier service which is priced according to the needs of the customer. The bank has also recently developed a Business Express software program, allowing the customer to be electronically linked to their account information through a personal computer. This software enables the business customer to monitor daily checking activity, reconcile business checking accounts, transfer funds, authorize stop payments, and display and print financial reports. In addition to convenience, Business Express provides multiple levels of security by controlling the level of access for each individual user. The software is user friendly and comes along with a tutorial program and a toll free number for Business Express/PC support. The flexibility of this program may prove to be especially helpful to the small business owner who has a limited amount of financial resources and time to monitor their banking activity. The price includes a set-up charge and a monthly fee.

In summary, the services provided by the bank are reasonably accessible to essentially all segments of the community and do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies. Additionally, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to any segments of the community.

COMMUNITY DEVELOPMENT SERVICES

Both the extent and the innovativeness of the bank's community development services are considered in the bank's assessment of this performance criteria. Also, taken into account is the amount of opportunity and the bank's responsiveness to available service opportunities within the assessment area, and finally, the degree to which the community development services meet the identified needs of the assessment area.

Most noteworthy is the bank's commitment to the Valley Economic Development Center (VEDC). As previously discussed, the VEDC is a non-profit organization

providing business technical assistance as well as grants and loans. The bank's Senior Vice President and manager of the Small Business Administration Loan Division serves on the loan committee for the VEDC, reviewing applications for the organization's revolving loan fund. The loan fund was established specifically for companies that have been affected by the Northridge Earthquake, the lingering recession in Southern California and cuts in government defense spending. Additionally, the program was developed to assist qualified small business owners who have been denied funding by the SBA and/or banks.

Other members of the bank's management team have been involved in Community Development Services. The Senior Vice President, Director of Sales and Service, has been affiliated with the Los Angeles Neighborhood Initiative Organization (LANI) for the past three years. Last year LANI dissolved and each designated empowerment zone transferred over to their separate non-profit organization, now titled, Sun Valley Neighborhood Improvement Organization (SVNIO). One of the primary objectives of this organization is to promote the economic development and improvement of blighted and other areas in the Sun Valley area of the Northeast San Fernando Valley. Since 1994, the bank executive has been a Board Member and Treasurer of SVNIO. As Treasurer, the executive assisted SVNIO with various financial and volunteer projects, advised the Board on financial matters and devised a budget to operate funds and donations. As of July 31, 1997, the executive retired from SVNIO; however, the Operations Manager from the Sun Valley Branch has recently become active in this organization.

The Vice President and Manager of the Sherman Oaks Branch is the President of San Fernando Valley Charitable Foundation (SFVCF). The foundation provides grants to non-profits throughout the San Fernando Valley for such programs as sports uniforms and camp programs for underprivileged youth, food pantry donations, community renewal projects, AIDS hospices, senior centers and drug rehabilitation programs. The branch manager's responsibilities include monitoring the budget and managing all financial matters of the organization. The branch manager also reviews applications from various organizations requesting grants from the SFVCF.

American Pacific State Bank has sponsored a Banking Career class since 1989, coordinated at the Sherman Oaks Office by the branch manager. This is an official high school class offered through the Los Angeles Unified School District. The current students come from Reseda High School in the San Fernando Valley. Reseda, a moderate-income community, serves students of lower income levels. Students are assigned to work areas throughout the bank, with bank employees serving as their teachers. Throughout the program various bank employees serve as guest speakers at the weekly class room session, discussing work ethic and etiquette, how to open a bank account, apply for a loan, apply for a job, interview, and miscellaneous other skills.

Bank personnel contribute to their community development by providing technical assistance to various organizations and programs. The bank's involvement with the

loan committee of the VEDC warrants special mention because it assists the small business client who may otherwise not be eligible to receive conventional financing. Therefore, although the bank is not directly funding these loans, their participation in this committee indirectly contributes to the establishment and expansion of these small businesses. Based on bank personnel's participation in these various organizations, the bank provides an adequate level of community development services.

The bank's low satisfactory rating in this category is primarily attributed to the adequate level of delivery systems provided throughout the assessment area including low- and moderate-income geographies. Branch offices are reasonably accessible to all segments of the community. Business hours and services generally meet the needs of the community and do not vary in a manner which would inconvenience low- and moderate-income geographies or individuals. The bank's rating was further supported by its adequate level of community development services.

COMPLIANCE WITH FAIR LENDING LAWS

The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations such as the Fair Housing Act and the Equal Credit Opportunity Act. While there were some violations of the Home Mortgage Disclosure Act and the Equal Credit Opportunity Act, they were technical in nature and do not have a discriminatory effect. Moreover, a review of the bank's loan distribution and credit evaluation procedures indicate that no applicants are discouraged from requesting the types of credit offered by the bank. The bank has fair lending training for its staff and conducts audits to ensure declined loans are not limited to any specific type of applicant or to any particular geography. The policies, procedures and training programs developed by the bank adequately support non-discrimination in lending.